

HA 4221

## COMMENT SHEET

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TO:

Office of Congressional Affairs

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FROM:

Compensation, Automation, and Planning/OP

SUBJECT: H.R. 4221, Section 457 Clarification Act of 1988

Subject bill has been reviewed by the Office of Personnel and our position is as follows:

☒ No objection.

☐ Continue monitoring/OP interest.

☒ No CIA equities.

☐ Seek CIA exemption.

☐ Advise OP when enacted.

☒ Comments.

This bill proposes an amendment to the Internal Revenue Code of 1986 to clarify that section 457 does not apply to nonelective deferred compensation or basic employee benefits.

Since section 457 deals with deferred compensation plans of state and local governments and tax-exempt organizations, this amendment would have no impact upon nor be applicable to the Federal government.

STAT

21 April 1988  
Date

Name Signed

100TH CONGRESS  
2D SESSION

# H. R. 4221

To amend the Internal Revenue Code of 1986 to clarify that section 457 does not apply to nonelective deferred compensation or basic employee benefits.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 22, 1988

Mr. MATSUI (for himself and Mr. VANDER JAGT) introduced the following bill;  
which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to clarify that section 457 does not apply to nonelective deferred compensation or basic employee benefits.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

4 (a) SHORT TITLE.—This Act may be cited as the “Sec-  
5 tion 457 Clarification Act of 1988”.

6 (b) AMENDMENT OF 1986 CODE.—Except as otherwise  
7 expressly provided, whenever in this Act an amendment or  
8 repeal is expressed in terms of an amendment to, or repeal of,  
9 a section or other provision, the reference shall be considered

1 to be made to a section or other provision of the Internal  
2 Revenue Code of 1986.

3 **SEC. 2. CLARIFICATION THAT SECTION 457 DOES NOT APPLY**  
4 **TO NONELECTIVE DEFERRED COMPENSATION**  
5 **OR BASIC EMPLOYEE BENEFITS.**

6 (a) **IN GENERAL.**—Section 457 is amended by adding  
7 the following subsection at the end thereof:

8 “(g) **Section 457 Not to Apply to Nonelective Deferred**  
9 **Compensation or Basic Employee Benefits.**

10 “(1) **NONELECTIVE DEFERRED COMPENSA-**  
11 **TION.**—For purposes of this section—

12 “(A) **IN GENERAL.**—This section shall not  
13 apply to nonelective deferred compensation.

14 “(B) The Secretary is directed to promulgate  
15 regulations defining nonelective deferred compen-  
16 sation.

17 “(2) **BASIC EMPLOYEE BENEFITS.**—

18 “(A) **IN GENERAL.**—This section shall not  
19 apply to basic employee benefits.

20 “(B) **BASIC EMPLOYEE BENEFITS DE-**  
21 **FINED.**—For purposes of this section, basic em-  
22 ployee benefits shall include compensation under  
23 bona fide vacation plans, sick leave plans, com-  
24 pensatory time plans, severance plans, plans of  
25 employer inducement for termination of employ-

1           ment, force reduction programs, payments in lieu  
2           of tenure, disability plans, death benefit plans,  
3           sabbatical leave, or other similar benefits. In the  
4           case of benefits provided by a governmental unit,  
5           such benefits provided pursuant to State or local  
6           law, rule, regulation, or procedure are compensa-  
7           tion under bona fide plans. In addition, benefits  
8           provided under a collective bargaining agreement  
9           are compensation under bona fide plans.”

10 **SEC. 3. EFFECTIVE DATE.**

11       The amendments made by this Act shall apply to all  
12 taxable years beginning after December 31, 1987.

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